Transport for London

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19 March 2012

Dear Caroline

London Assembly Transport Committee report – *The Future of Ticketing*

Thank you for your letter of 1 March 2012.

We welcome your report and its broad support for the actions we are taking to transform our approach to ticketing and fare collection. The five principles suggested by the Committee are a useful contribution to our thinking on fare collection matters.

With one exception, all the Committee's recommendations are framed as requests for us to report back by September 2012. We will write to the Committee once sufficient time has passed for valid conclusions to be drawn from the launch of the first phase of the project. This is likely to be in September or shortly thereafter.

In the meantime, we would like to comment on four particular issues raised in your report.

i.   The Committee's aspiration for the highest possible security for passenger's personal information is one that we whole-heartedly share. The potential threats underlying these concerns are not limited to contactless cards issued by banks: every organisation that issues such devices bears an obligation to maintain a range of security measures to restrict access to customer information. We bear this obligation today in respect of Oyster.

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We are confident that the security measures provided by the payments industry around contactless payment cards are fit for purpose in this regard, but are concerned that the payments industry has not yet put consumers' minds at rest on these matters. To date, no frauds based on the electronic capture of information from a contactless payment card have been reported to us by Barclays (our merchant acquirer) or in the mainstream media. In the case of Oyster, security concerns seem to have receded and no longer seem to act as a barrier to use. We expect that a similar effect will be observed over time with respect to contactless bank cards as they become more familiar. But we echo the Committee's aspiration that the payments industry steps-up its effort to fully explain contactless card payments and security to consumers.

ii.   We cannot state strongly enough that detailed information about customers' travel patterns will not be shared with banks. The distribution of information between us and banks will remain as it is today for Oyster and magnetic-stripe paper ticketing: our merchant acquirer, the card issuer and (in most cases) the payment scheme have visibility of card purchases but not the trips made. At no stage in the life of the Future Ticketing Project has any of the banks sought access to travel pattern information. They do not need it; they do not possess the processes to handle and process it; and it is contrary to the norms of the payment industry for them to have it.

iii. We fully recognise that not every user of public transport in London possesses a credit or debit card. We do not, however, recognise the figure of 20% in this context. We believe that for those customers for whom contactless bank cards are likely to be an attractive proposition - adult customers who are not eligible for the Freedom Pass – the figure is closer to 5%.

iv.   Concerning interoperability, we remain confident that agreement will be reached with the relevant train operating companies for them to participate in the launch of multi-modal payment card acceptance on non-TfL rail services in 2013 alongside TfL's various rail services as part of Phase 2 of the project. This is expected to deliver benefits for customers visiting London from elsewhere as the business case for Future Ticketing shows.

We are also making investments to render the Oyster smartcard system compliant with the ITSO specifications. In theory this should mean that a customer in possession of a smartcard that complies with the ITSO specification and upon which he or she has loaded a valid product could use that product to travel in London. But in practical terms acceptance of these products is subject to agreement on commercial terms and on mutually-acceptable customer service and business processes with the product vendor.

At this point in time there is no organisation offering nationally-interoperable travel products based on the ITSO specification with whom we could enter into discussions about these matters. This issue is of course separate from the question of whether or not there is a valid business case for us to act as an issuer of smartcards that comply with the ITSO specification for some or all of our customers.

Yours sincerely

Peter Hendy